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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 002454

SIPDIS

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DEPARTMENT OF LABOR FOR ILAB

E.O. 12958: DECL: 11/15/2015

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SUBJECT: HONDURAS: READY AND EAGER TO MOVE FORWARD, BUT  
WAITING FOR WORD FROM USTR

REF: TEGUCIGALPA 2634

Classified By: ECONCHIEF PDUNN FOR REASONS 1.5 (B AND D)

11. (C) Summary: Honduras urgently seeks USTR concurrence to move forward with CAFTA legislative changes as soon as possible. All draft legislation has been submitted to the USG for review, and Honduras, political will to implement USTR suggestions to these drafts is palpable. These bills must go to the Honduran Congress for consideration within the next two weeks, or risk months of delays as this Congress ends and an entirely new government is assembled following the recent Liberal Party projected upset victory in the November 27 elections. GOH officials stand ready to meet with USTR as soon as possible to resolve any outstanding issues and conclude the steps necessary for CAFTA entry into force on January 1, 2006. Failure to do so risks significant political and economic damage for both the U.S. and Honduras. End Summary.

12. (SBU) Honduras has submitted all requested draft modifications to laws and regulations to USTR in both Spanish and English, according to Vice Minister for Trade Melvin Redondo. In a December 5 meeting, Redondo told EconChief that the GOH is eager to submit final draft bills and regulations to Congress as soon as possible, but has been instructed not to do so by USTR pending its own review of those modifications. Redondo is extremely concerned about the very short period of time remaining for the GOH and USTR to conclude this process, since the Honduran Congress will come into session o/a December 12 and will likely go out of session o/a December 21, according to Redondo. This leaves very few days to get a number of key pieces of CAFTA legislation passed, in addition to other vital legislative projects including the annual federal budget.

13. (C) Redondo outlined the legislative procedure, noting that the responsible committees must issue a legal analysis ("dictamen") of each bill or regulation before voting on the bill and then sending it to the floor for a full vote. The GOH (with assistance from NGOs and the private sector) is helping the committees conduct this analysis, and in most cases the committee is expected to "rubber-stamp" the dictamen. The GOH foresees few problems during the floor vote. However, the dictamen process is on hold, pending submission of the final versions of the laws and regulations. Those final versions are themselves on hold while the GOH awaits formal feedback from USTR and confirmation that the proposed modifications are sufficient to certify Honduran CAFTA compliance under the forthcoming Presidential Proclamation required by Trade Promotion Authority.

14. (SBU) Ambassador and EconChief are requesting meetings with the five most influential Congressmen on CAFTA issues, including the four chairs of the committees responsible for the seven key pieces of pending legislation. We will emphasize the importance of this legislation to prompt implementation of CAFTA, maintaining momentum, maximizing benefits to Honduras, and encouraging investor confidence. In a legislative calendar that is overstuffed with difficult issues, we want to ensure that the CAFTA legislation remains a top priority for the Congress. The Ministry of Trade is likewise making CAFTA its top priority. Both the Minister and Vice Minister will remain in Tegucigalpa rather than attend the upcoming WTO round in Hong Kong in order to respond at a moment's notice to all USTR and congressional concerns. The Vice Minister is prepared to travel to Washington at any time to meet with USTR on these issues, and requests such a meeting at the earliest opportunity.

15. (C) Comment: On November 27, Honduras held national elections for President, Congress, and Mayors. As of December 6, the results of the Presidential election have not yet been certified, but it seems virtually certain that opposition Liberal Party candidate Manuel "Mel" Zelaya Rosales has won. This change of power heralds months of disorganization and delay as the GOH transitions from

National Party control to Liberal Party control starting with the inauguration on January 27. CAFTA legislation must be submitted and ratified before the current Congress goes out of session, or we risk significant delays while the new government is formed and the new Congress is educated on the issues. It is unclear if this lame-duck Congress would be willing to return in extraordinary session between the New Year and the inauguration, dramatically limiting the time remaining to conduct legislative business.

16. (C) Comment continued: In the Congress itself, the situation is in flux, as this year was the first year in which the public could vote for individual Congressmen, vice a straight party-line vote. As a consequence, the tallying of this vote, combined with a complex and poorly understood proportionality rule (reftel), will delay for some time a clear idea of the composition of the new Congress. Very preliminary results suggest some stalwarts might have lost their seats, while a number of young freshmen Congressmen and Congresswomen were among the top vote-getters. This situation poses unknown and unknowable risks for CAFTA implementation if that implementation is not accomplished by January 1, 2006. Delaying consideration of entry into force beyond the close of the outgoing Congress (expected to be o/a December 21, according to Redondo) could result in politically damaging and economically devastating delays in entry into force for Honduras until the third or fourth quarter of 2006. Such an outcome would undermine U.S. credibility in Honduras, eyes, jeopardize future GOH support on international issues, harm U.S. investors, limit new foreign direct investment, and potentially threaten U.S. national security by encouraging increased gang membership and illegal emigration to the U.S. as the Honduran economy stalls without CAFTA-related investment.

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